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Attorneys for Debtor,  
 SOUTHERN INYO HEALTHCARE DISTRICT

**UNITED STATES BANKRUPTCY COURT**  
**EASTERN DISTRICT OF CALIFORNIA**  
**FRESNO DIVISION**

In re

SOUTHERN INYO HEALTHCARE DISTRICT,

Debtor.

Case No.: 2016-10015

BH-1

Chapter 9

**STATEMENT OF QUALIFICATIONS**  
**UNDER 11 U.S.C. § 109(c)**

Date: [TBD]  
 Time: [TBD]  
 Dept: [TBD]  
 Judge: [TBD]

The Southern Inyo Healthcare District ("SIHD") hereby certifies that it qualifies to be a debtor under section 109(c) of title 11 of the United States Code (the "Bankruptcy Code"). In support thereof, SIHD submits as follows:

1. SIHD is a municipality with the meaning of section 101(40) of the Bankruptcy Code.

2. SIHD is specifically authorized to file a voluntary petition for relief under title 9 of the Bankruptcy Code by the laws of the State of California. *See* Cal. Gov't Code § 53760. On or about January 2, 2016, the Board of Directors for SIHD unanimously voted to declare a fiscal

1 emergency and adopted a resolution authorizing the commencement and prosecution of a  
 2 bankruptcy case under title 9 of the Bankruptcy Code. *See* Cal. Gov't Code §§ 53760(a),  
 3 53760.5. A true and correct copy of the resolution is attached to the Declaration of Alan  
 4 Germany as **Exhibit A** and is incorporated herein by reference.

5 3. SIHD is insolvent within the meaning of section 101(32)(C) of the Bankruptcy  
 6 Code.

7 4. SIHD desires to effect a plan to adjust its debts.

8 5. SIHD was unable to negotiate with creditors prior to filing the petition for relief  
 9 because such negotiation would have been impracticable due to the impending suspension or  
 10 revocation of SIHD's license and the resulting detrimental effect on the community if the hospital  
 11 was unable to operate, and the need for immediate action to preserve the assets of SIHD.

12  
 13 Dated: January 8, 2016

Respectfully submitted,

14  
 15 **BAKER & HOSTETLER LLP**

16 By: 

17 Ashley M. McDow  
 18 Michael T. Delaney  
 19 Fahim Farivar

20 Attorneys for Debtor,  
 21 SOUTHERN INYO HEALTHCARE DISTRICT  
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**DECLARATION OF ALAN GERMANY**

I, Alan Germany, hereby declare:

1. I am the Chief Restructuring Officer of the Southern Inyo Healthcare District ("SIHD"). I respectfully submit this declaration in support of the Statement of Qualification under 11 U.S.C. § 109(c). Unless otherwise stated, I have personal knowledge of the matters set forth herein, and if called as a witness, would competently testify to the veracity of the same.

2. SIHD is a municipality with the meaning of section 101(40) of title 11 of the United States Code (the "Bankruptcy Code").

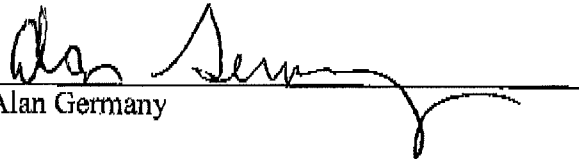
3. On January 2, 2016, the Board of Directors for SIHD unanimously voted to declare a fiscal emergency and adopted a resolution authorizing the commencement and prosecution of a bankruptcy case under title 9 of the Bankruptcy Code. A true and correct copy of the resolution is attached hereto as **Exhibit A**.

4. SIHD is insolvent within the meaning of section 101(32)(C) of the Bankruptcy Code.

5. SIHD desires to effect a plan to adjust its debts.

6. SIHD was unable to negotiate with creditors prior to filing the petition for relief because such negotiation would have been impracticable due to the impending suspension or revocation of SIHD's license and the resulting detrimental effect on the community if the hospital was unable to operate, and the need for immediate action to preserve the assets of SIHD.

I declare under penalty of perjury that the forgoing is true and correct. Executed this 6th day of January, 2016, at Lone Pine, California.

  
Alan Germany

# EXHIBIT A

## **Resolution No. 16-01**

### **A RESOLUTION OF THE BOARD OF DIRECTORS OF SOUTHERN INYO HEALTHCARE DISTRICT DECLARING A FISCAL EMERGENCY AND AUTHORIZING A CHAPTER 9 BANKRUPTCY FILING**

**WHEREAS**, Southern Inyo Healthcare District (the "District") managed its limited finances in order to operate Southern Inyo Hospital (the "Hospital") despite a sustained reduction in revenue, along with increases in operating expenses. Throughout this time, the Hospital has provided excellent, high quality patient care without compromise to patient safety;

**WHEREAS**, despite the efforts of Hospital management and the Board of Directors of the District ("the Board") to take significant steps to reduce expenses, uncontrollable inflationary increases combined with volume and reimbursement declines have created an operating gap and cash flow deficit that threatens the organization's fiscal viability and, if allowed to continue, could threaten patient care and patient safety;

**WHEREAS**, faced with a position of insolvency and projected continued declines in volume and revenue, and the potential impact on patient care and patient safety, Hospital management recommended the closure of the Emergency Department;

**WHEREAS**, the Chief Executive Officer of the Hospital resigned effective December 14, 2015, and on December 17, 2015 the entire Board unexpectedly resigned;

**WHEREAS**, on December 29, 2015 the Inyo County Board of Supervisors appointed 3 new members to the Board;

**WHEREAS**, although the new Board has had very limited time to review the Hospital's financial situation, in consultation with a healthcare management and restructuring consultant, the Board explored options for changes in services and operations that would provide for positive financial performance while continuing to serve the inpatient and emergency care needs of the District's residents. Among other problems, the new Board is faced with a complete lack of management for the Hospital, and the patients of the skilled nursing facility are in the process of being relocated out of concern for their proper care and safety, which will further impact the Hospital revenues and potentially jeopardize the Hospital's licensures and reimbursement agreements;

**WHEREAS**, the Board has now determined that the District will be unable to meet its cash obligations (including payroll) by December 31, 2015. In the District's financial circumstances, Government Code Sections 53760 through 53760.7, and in particular Government Code Section 53760.5, authorize a public entity such as the District to file a petition and exercise powers pursuant to applicable federal bankruptcy law, if: (a) the local public entity places an item on the agenda of a noticed public hearing on the fiscal condition of the entity to take public comment; and (b) thereafter, the local public entity declares a fiscal emergency and adopts a resolution by majority vote of the governing board at a noticed public hearing that includes findings that the financial state of the local public entity jeopardizes the health, safety, or well-being of the residents of the District's service area absent the protections of Chapter 9 of the Bankruptcy

Code, title 11 of the United States Code (commencing with Section 901 ("Chapter 9")), such resolution to include findings that the local public entity is or will be unable to pay its obligations within the next 60 days;

**WHEREAS**, on January 2, 2016 the District held a noticed public hearing during which the Board discussed the fiscal condition of the District and allowed public comment on the same; and

**WHEREAS**, after a discussion of the District's dire financial condition, recommendation of a healthcare management and restructuring consultant, and public comment received at the hearing held on January 2, 2016, the Board has determined that it is in the best interests of the District to delegate to the Chief Restructuring Officer (who will be provided by a new management company which is being engaged concurrently) the authority to file a petition for protection under Chapter 9 of the Bankruptcy Code.

**NOW, THEREFORE, BE IT RESOLVED**, that the Board finds and declares the existence of a fiscal emergency pursuant to California Government Code Section 53760.5;

**RESOLVED FURTHER**, that a petition under Chapter 9 of the Bankruptcy Code shall be filed by the District at such time as the Chief Restructuring Officer determines appropriate; and

**RESOLVED FURTHER**, that the Chief Restructuring Officer, and all other appropriate officials and employees of the District, are hereby authorized to execute and file all petitions, schedules, lists, and other papers, and to take any and all actions that they shall deem necessary and appropriate in connection with such Chapter 9 case, and with a view to the successful prosecution and completion of such case, including without limitation the proposal and confirmation of a plan of adjustment for the debts of the District;

**RESOLVED FURTHER**, that the Board directs District management to investigate and recommend any and all further actions necessary to mitigate the impacts of the fiscal emergency.


**RESOLVED FURTHER**, that this Resolution shall take effect immediately upon its adoption.

**PASSED AND ADOPTED** by the Board at a special meeting held on the 7<sup>th</sup> day of January, 2016, and to be effective on the same date by the following vote:

AYES: Fedchenko, Hickman, Lacey  
NOES: None  
ABSTAIN: None  
ABSENT: None

  
Richard Fedchenko, President

ATTEST

  
Mark Lacey, Secretary